



CORPORATE OVERVIEW

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During the course of this presentation, we will provide projections and other forward looking statements regarding future events and the financial performance of Harmonic, including expectations concerning our business strategy for 2017, and our full year financial outlook. Such statements are only current expectations and actual events or results may differ materially. We refer you to Harmonic's filings with the SEC, particularly our most recent Reports on Form 10K, Form 10Q and Form 8K. These documents identify important risk factors that could cause actual results to differ materially from our projections or other forward looking statements. We will also present financial metrics determined on a "non-GAAP" basis. Some of these items, together with the corresponding GAAP numbers and a reconciliation to GAAP, are contained in this presentation. The rest can be found in related filings on form 8K.



THE LEADER

In Premium Video Delivery
Technology & Services



\$345M 2017 Revenue (est.)



Blue-Chip Media, Broadcast and
Service Provider Customer Base



OTT Market Transformation Driving
New Phase of Corporate Growth



VIDEO

- \$1.5B 2017 market
- 2017 revenue target: \$307M

STRATEGY:

- Premium video technology leader
- Market share in traditional pay-TV, media and broadcast video infrastructure
- OTT growth in traditional and new markets



CABLE EDGE

- \$2.8B 2018 target market
- 2017 revenue target: \$38M

STRATEGY:

- Disruptive virtualized cable access platform
- Leverage strong cable industry relationships
- Scale early GA deployments, advanced field trials with Tier 1 operators

Blue Chip Global Customer Base



VIDEO

- Customers include **service providers**, **production studios** and **broadcast and media companies** who demand higher resolution video programming and more viewing options



CABLE EDGE

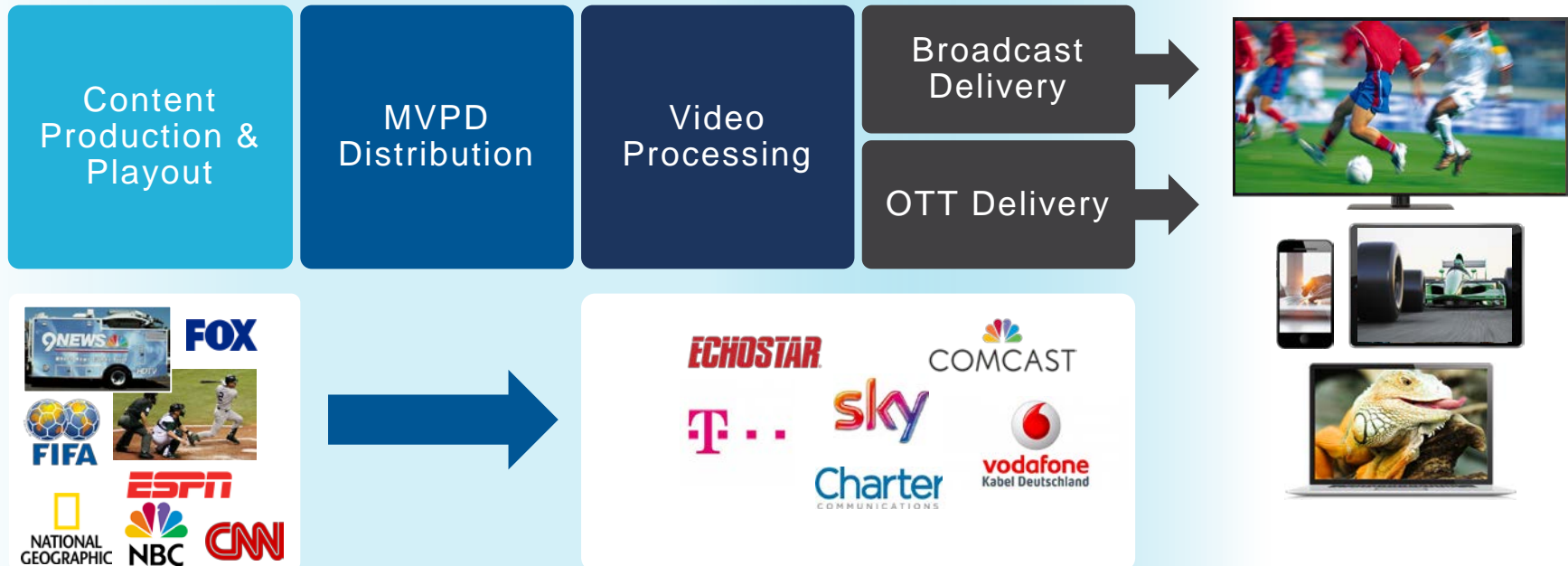
- Customers include **Tier 1** and **Tier 2 MSOs** aggressively investing in upgrading their network to Distributed Access Architectures



Video Segment Overview



Integrated Solutions Span Production to Delivery



Premium Video
Transitions Driving
Investment:

- Traditional Broadcast to IP / OTT
- New UHD, HDR and VR services

OTT revenue growth expected to grow from \$29.41 billion in 2015 to **\$64.78 billion** in 2021*

An overhead photograph of several people sitting around a large wooden table. They are using various devices: a smartphone, a laptop, and multiple tablets. The tablets display the Harmonic logo. The image is partially obscured by a white geometric pattern in the top left corner.

OTT MARKET HEATS UP

Harmonic: Leading the Premium OTT Charge

~20,000
OTT channels
deployed globally

400%
growth in
OTT sales in the
last year

Over
1,000
cloud-native
OTT channels

Premium Video Transition to IP, Software, Cloud



Simplifying video delivery workflows

Enabling agile service delivery

Gradual transition in early innings

VOS™

Global Cloud Platforms



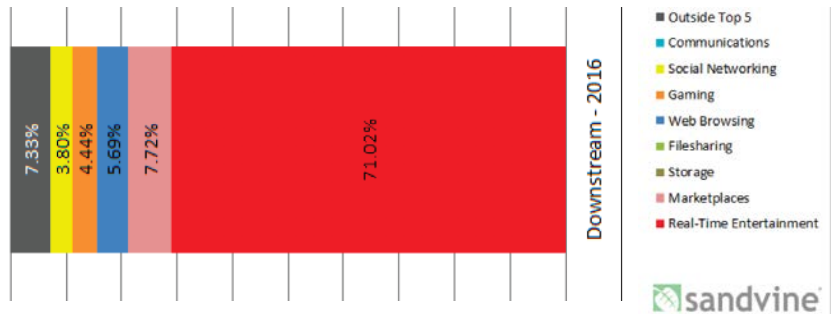
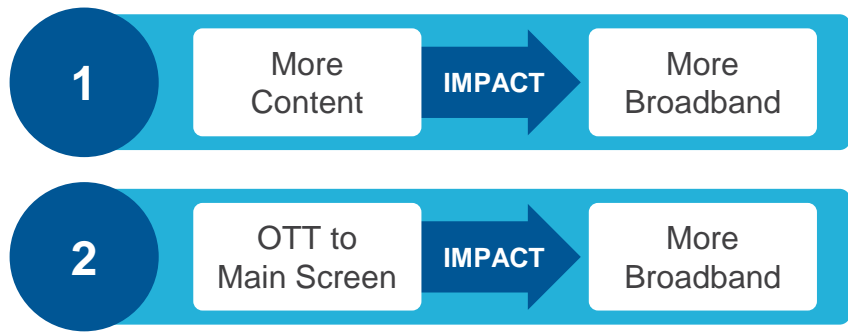
1H'17 OTT SaaS
TCV \$12M, ARR \$6M



Expect single-digit OTT SaaS
booking contribution in '17, '18

Cable Edge Segment Overview

Video Trends Impact Cable Broadband Access



- Streaming now responsible for over 71% of downstream peak traffic

- North America will become first region to surpass 80% of downstream traffic streaming threshold, by the end of 2020

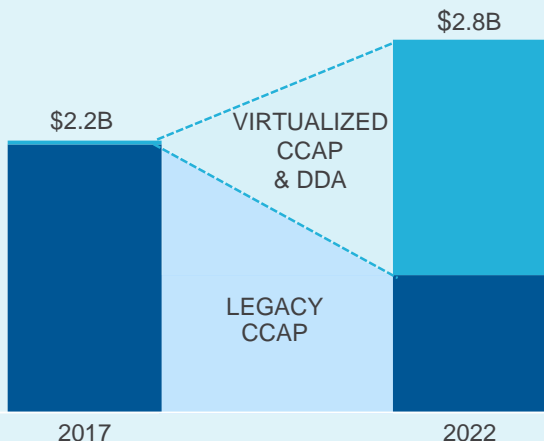
Key drivers

- Streaming video adoption
- Unicast OTT video
- Emerging technologies such as UHD and virtual reality

• Source: Sandvine, 2016 Global Internet Phenomena, Latin America & North America

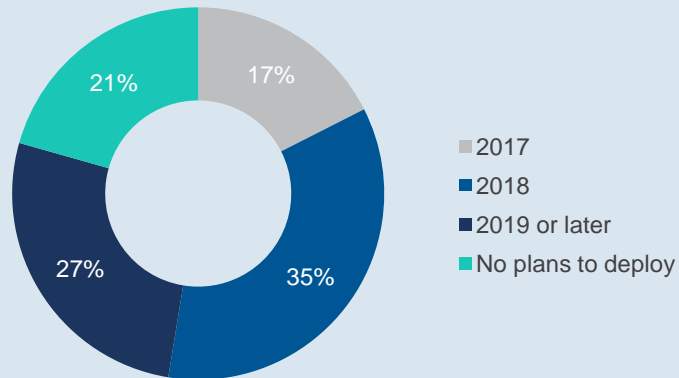
Cable Access Market Ripe for Disruption

Transitioning CCAP Market Demand



Source: SNL Kagan, 2017

Deployment of Distributed Access Architectures



Source: SNL Kagan, 2017: survey of 35 cable operators spanning 82 million broadband subscribers in response to "When do you expect to deploy distributed access architectures (DAA)?"

Key Cable Operator Challenges:

Power, space, cooling, time to launch services, upgrade cycles, CAPEX growth

Solution:

Virtualized access platform with distributed edge

CableOS – A Disruptive Solution for a Market in Need



CableOS redefines the economics of operating a cable access network

Resolves immediate space and power constraints

Unprecedented scalability and agility

cableOS

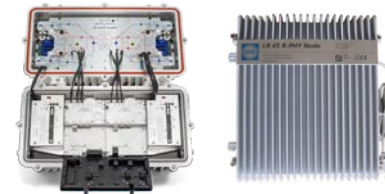
Virtualized
Software CMTS



Centralized



Remote-shelf



Remote-node

Financial Overview

Q2 2017 Financial Highlights*



\$ Millions (except EPS)	Q2 2017	Q1 2017	Q2 2016	Q2/ Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$82.3	\$83.5	\$110.4	-1.4%	-25.5%
Gross Margin %	47.9%	52.1%	53.0%	-4.2%	-5.1%
Operating Expense	\$55.8	\$54.9	\$57.7	1.6%	-3.3%
Operating Income (Loss)	(\$16.4)	(\$11.4)	\$0.8	(\$5.0)	(\$17.2)
EPS	(\$0.20)	(\$0.14)	\$0.00	(\$0.06)	(\$0.20)
Bookings	\$91.1	\$82.1	\$117.3	11.0%	-22.3%
Backlog and Deferred	\$194.4	\$184.2	\$189.6	\$10.2	\$4.8

*Non-GAAP financial highlights

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Q2 2017 Balance Sheet & Cash Flow Highlights



	\$ Millions	
Cash	\$52.9	
Accounts Receivable	\$60.4	66 days
Inventories	\$35.1	4.9x
Debt	\$122.4	
Cash From Operations	\$5.7	

Q3 2017 Financial Guidance*



\$ Millions (except EPS)	Video	Cable Edge	Total
Revenue	\$72 - \$81	\$8 - \$9	\$80 - \$90
Gross Margin	55% - 56%	20% - 21%	51% - 52%
Operating Expenses			\$48 - \$50
Operating Loss			\$(9) - \$(1)
EPS			\$(0.11) - \$(0.03)
Tax Rate			15%
Shares, millions (basic)			81.4
Cash and short-term investments			\$40 - \$50

*Non-GAAP

Q4 2017 Financial Guidance*



\$ Millions (except EPS)	Video	Cable Edge	Total
Revenue	\$80 - \$86	\$10 - \$14	\$90 - \$100
Gross Margin	55% - 57%	27% - 29%	52% - 53.5%
Operating Expenses			\$48 - \$50
Operating Profit / (Loss)			\$(3.0) - \$5.5
EPS			\$(0.05) - \$0.04
Tax Rate			15%
Shares, millions (basic, diluted)			82, 84
Cash, short-term investments			\$40 - \$50

*Non-GAAP

Q&A

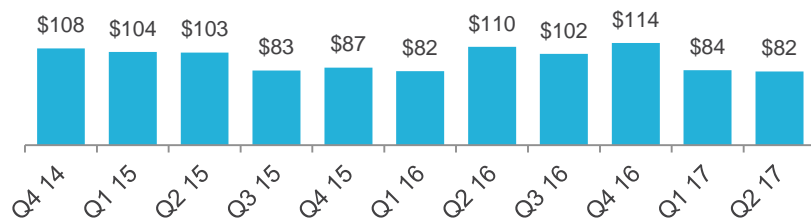


THANK YOU

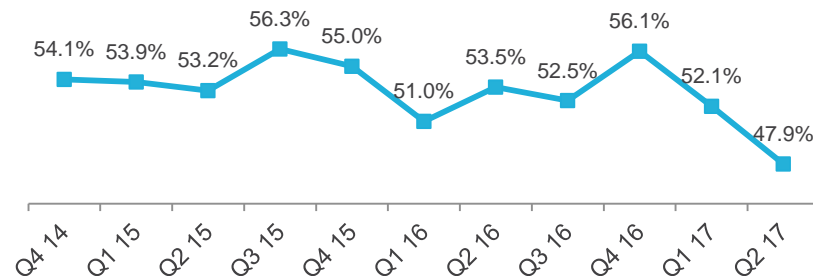
Appendix

Key Quarterly Financial Metrics

Revenue (1)



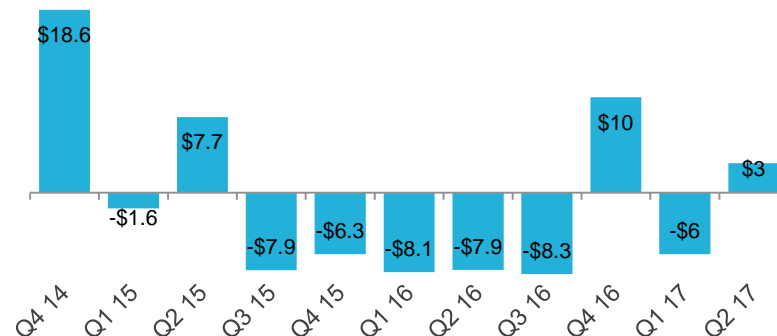
Non-GAAP Gross Margins



Non-GAAP EBIT and EBIT Margins



Free Cash Flow (2)

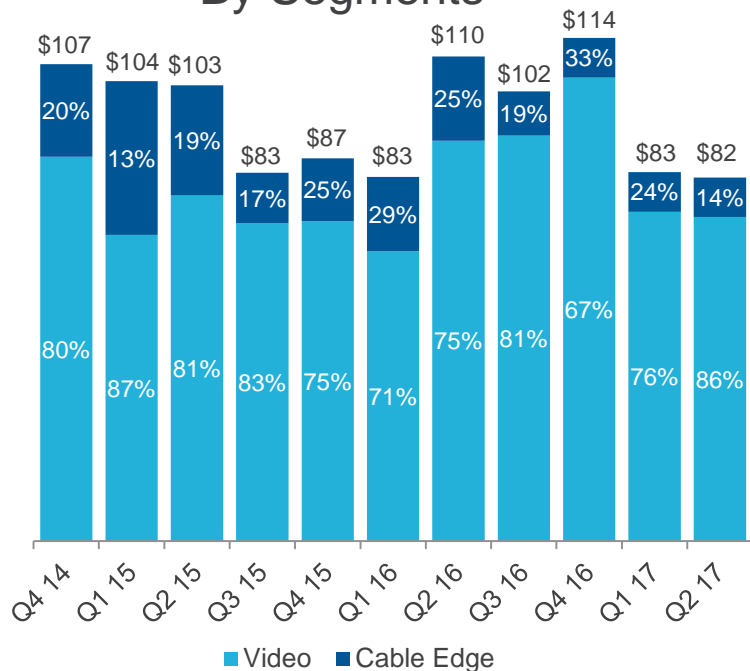


NOTE: Dollars in millions.

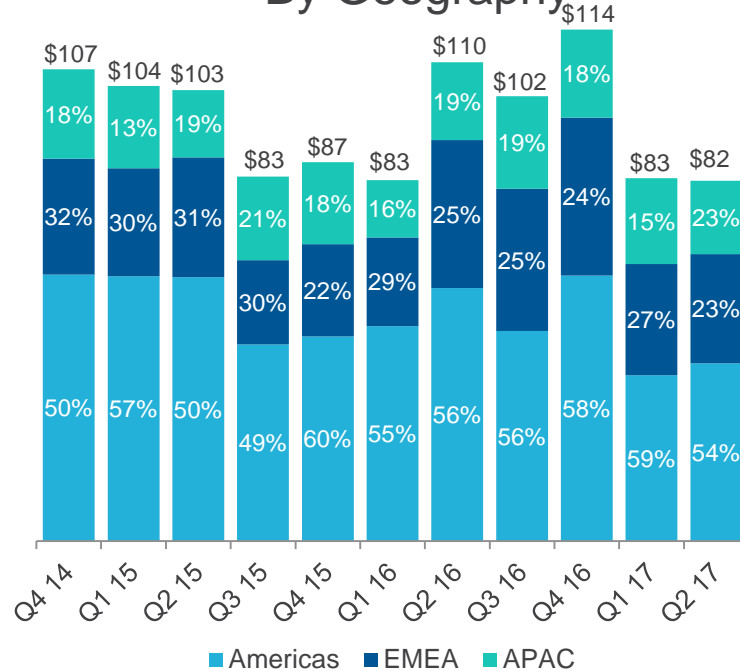
(1) Q1'16- Q1'17 revenue is Non-GAAP. See reconciliations on slides 25-29. (2) Free Cash Flow defined as Cash Flow from Operations less Capex.

Segment and Geographic Revenue Splits

By Segments



By Geography



NOTE: Dollars in millions.

Use of Non-GAAP Financial Measures



In establishing operating budgets, managing its business performance, and setting internal measurement targets, the Company excludes a number of items required by GAAP. Management believes that these accounting charges and credits, most of which are non-cash or non-recurring in nature, are not useful in managing its operations and business. Historically, the Company has also publicly presented these supplemental non-GAAP measures in order to assist the investment community to see the Company “through the eyes of management,” and thereby enhance understanding of its operating performance. The non-GAAP measures presented here are revenue, gross profit, operating expenses, income (loss) from operations, total net non-operating income (expense) and net income (loss), and net income (loss) per diluted share. The presentation of non-GAAP information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP, and is not necessarily comparable to non-GAAP results published by other companies. A reconciliation of the historical and forward looking non-GAAP financial measures discussed in this presentation to the most directly comparable historical and forward looking GAAP financial measures is included with the financial information contained in this presentation. The non-GAAP adjustments described below have historically been excluded from our GAAP financial measures. These adjustments are acquisition accounting impacts to TVN deferred revenue and TVN inventory valuation, TVN acquisition and integration related costs, restructuring and related charges, Cable Edge inventory charge and non-cash items, such as warrant amortization, impairment of long-term investment, stock-based compensation expense, amortization of intangibles, non-cash interest expenses on convertible debt and adjustments that normalize the tax rate.

Q2 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 82,315	\$ 33,815	\$ 61,237	\$ (27,422)	\$ (3,499)	\$ (31,500)
Cable Edge inventory charge	—	3,331	—	3,331	—	3,331
Stock-based compensation in cost of revenue	—	700	—	700	—	700
Stock-based compensation in research and development	—	—	(1,337)	1,337	—	1,337
Stock-based compensation in selling, general and administrative	—	—	(2,099)	2,099	—	2,099
Amortization of intangibles	—	1,295	(780)	2,075	—	2,075
Restructuring and related charges	—	278	(777)	1,055	—	1,055
TVN acquisition and integration-related costs	—	—	(467)	467	—	467
Non-cash interest expenses related to convertible notes	—	—	—	—	1,360	1,360
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,354
Total adjustments	—	5,604	(5,460)	11,064	1,360	15,778
Non-GAAP	\$ 82,315	\$ 39,419	\$ 55,777	\$ (16,358)	\$ (2,139)	\$ (15,722)
<i>As a % of revenue (GAAP)</i>		41.1%	74.4%	(33.3)%	(4.3)%	(38.3)%
<i>As a % of revenue (Non-GAAP)</i>		47.9%	67.8%	(19.9)%	(2.6)%	(19.1)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.39)
Diluted net loss per share-Non-GAAP						\$ (0.20)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						80,590

Q1 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 82,943	\$ 40,408	\$ 61,566	\$ (21,158)	\$ (3,101)	\$ (24,027)
Cable Edge inventory charge	—	(15)	—	(15)	—	(15)
Acquisition accounting impact related to TVN deferred revenue	111	111	—	111	—	111
Accounting impact related to warrant amortization	416	416	—	416	—	416
Stock-based compensation in cost of revenue	—	445	—	445	—	445
Stock-based compensation in research and development	—	—	(977)	977	—	977
Stock-based compensation in selling, general and administrative	—	—	(1,829)	1,829	—	1,829
Amortization of intangibles	—	1,295	(774)	2,069	—	2,069
Restructuring and related charges	—	508	(1,279)	1,787	—	1,787
TVN acquisition and integration-related costs	—	342	(1,808)	2,150	—	2,150
Non-cash interest expenses related to convertible notes	—	—	—	—	1,316	1,316
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,744
Total adjustments	527	3,102	(6,667)	9,769	1,316	12,829
Non-GAAP	\$ 83,470	\$ 43,510	\$ 54,899	\$ (11,389)	\$ (1,785)	\$ (11,198)
<i>As a % of revenue (GAAP)</i>		48.7%	74.2%	(25.5)%	(3.7)%	(29.0)%
<i>As a % of revenue (Non-GAAP)</i>		52.1%	65.8%	(13.6)%	(2.1)%	(13.4)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.30)
Diluted net loss per share-Non-GAAP						\$ (0.14)
Shares used to compute diluted net income (loss) per share:						
GAAP and Non-GAAP						79,810

Q2 2016 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 109,571	\$ 51,040	\$ 69,158	\$ (18,118)	\$ (2,319)	\$ (20,679)
Cable Edge inventory charge	—	4,519	—	4,519	—	4,519
Acquisition accounting impacts related to TVN deferred revenue	780	780	—	780	—	780
Stock-based compensation in cost of revenue	—	424	—	424	—	424
Stock-based compensation in research and development	—	—	(841)	841	—	841
Stock-based compensation in selling, general and administrative	—	—	(1,503)	1,503	—	1,503
Amortization of intangibles	—	1,307	(4,232)	5,539	—	5,539
Restructuring and related charges	—	6	(1,903)	1,909	—	1,909
TVN acquisition and integration-related costs	—	433	(2,970)	3,403	—	3,403
Non-cash interest expenses related to convertible notes	—	—	—	—	1,233	1,233
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	285
Total adjustments	780	7,469	(11,449)	18,918	1,233	20,436
Non-GAAP	\$ 110,351	\$ 58,509	\$ 57,709	\$ 800	\$ (1,086)	\$ (243)
<i>As a % of revenue (GAAP)</i>		46.6%	63.1%	(16.5)%	(2.1)%	(18.9)%
<i>As a % of revenue (Non-GAAP)</i>		53.0%	52.3%	0.7 %	(1.0)%	(0.2)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.27)
Diluted net loss per share-Non-GAAP						\$ 0.00
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						77,342

Q2 YTD 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss
GAAP	\$ 165,258	\$ 74,223	\$ 122,803	\$ (48,580)	\$ (6,600)	\$ (55,527)
Cable Edge inventory charge	—	3,316	—	3,316	—	3,316
Acquisition accounting impacts related to TVN deferred revenue	111	111	—	111	—	111
Accounting impact related to warrant amortization	416	416	—	416	—	416
Stock-based compensation in cost of revenue	—	1,145	—	1,145	—	1,145
Stock-based compensation in research and development	—	—	(2,314)	2,314	—	2,314
Stock-based compensation in selling, general and administrative	—	—	(3,928)	3,928	—	3,928
Amortization of intangibles	—	2,590	(1,554)	4,144	—	4,144
Restructuring and related charges	—	786	(2,056)	2,842	—	2,842
TVN acquisition and integration-related costs	—	342	(2,275)	2,617	—	2,617
Non-cash interest expenses related to convertible notes	—	—	—	—	2,676	2,676
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	5,098
Total adjustments	527	8,706	(12,127)	20,833	2,676	28,607
Non-GAAP	\$ 165,785	\$ 82,929	\$ 110,676	\$ (27,747)	\$ (3,924)	\$ (26,920)
<i>As a % of revenue (GAAP)</i>		44.9%	74.3%	(29.4)%	(4.0)%	(33.6)%
<i>As a % of revenue (Non-GAAP)</i>		50.0%	66.8%	(16.7)%	(2.4)%	(16.2)%

Diluted net loss per share:

Diluted net loss per share-GAAP

\$ (0.69)

Diluted net loss per share-Non-GAAP

\$ (0.34)

Shares used to compute diluted net loss per share:

GAAP and Non-GAAP

80,203

Q2 YTD 2016 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss
GAAP	\$ 191,403	\$ 91,694	\$ 130,568	\$ (38,874)	\$ (6,225)	\$ (45,859)
Cable Edge inventory charge	—	4,519	—	4,519	—	4,519
Acquisition accounting impacts related to TVN deferred revenue	1,403	1,403	—	1,403	—	1,403
Acquisition accounting impacts related to TVN fair value of inventory	—	189	—	189	—	189
Stock-based compensation in cost of revenue	—	651	—	651	—	651
Stock-based compensation in research and development	—	—	(1,810)	1,810	—	1,810
Stock-based compensation in selling, general and administrative	—	—	(3,401)	3,401	—	3,401
Amortization of intangibles	—	1,725	(6,597)	8,322	—	8,322
Restructuring and related charges	—	(23)	(4,515)	4,492	—	4,492
TVN acquisition and integration-related costs	—	491	(6,008)	6,499	—	6,499
Loss on impairment of long-term investment	—	—	—	—	1,476	1,476
Non-cash interest expenses related to convertible notes	—	—	—	—	2,420	2,420
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	2,248
Total adjustments	1,403	8,955	(22,331)	31,286	3,896	37,430
Non-GAAP	\$ 192,806	\$ 100,649	\$ 108,237	\$ (7,588)	\$ (2,329)	\$ (8,429)
<i>As a % of revenue (GAAP)</i>		<i>47.9%</i>	<i>68.2%</i>	<i>(20.3)%</i>	<i>(3.3)%</i>	<i>(24.0)%</i>
<i>As a % of revenue (Non-GAAP)</i>		<i>52.2%</i>	<i>56.1%</i>	<i>(3.9)%</i>	<i>(1.2)%</i>	<i>(4.4)%</i>
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.59)
Diluted net loss per share-Non-GAAP						\$ (0.11)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						77,168

Q3 2017 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$80.0 to \$90.0	\$38.4 to \$44.4	\$55.7 to \$57.7	\$(19.3) to \$(11.3)	\$(3.1)	\$(20.2) to \$(13.3)
Stock-based compensation expense	—	0.8	(4.3)	5.1	—	5.1
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges and TVN integration costs	—	0.5	(2.6)	3.1	—	3.1
Non-cash interest expense related to convertible notes	—	—	—	—	1.4	1.4
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(0.5)
Total adjustments	—	2.6	(7.7)	10.3	1.4	11.2
Non-GAAP	\$80.0 to \$90.0	\$41.0 to \$47.0	\$48.0 to \$50.0	\$(9.0) to \$(1.0)	\$(1.7)	\$(9.0) to \$(2.1)
<i>As a % of revenue (GAAP)</i>		48% to 49%	64% to 70%	(24)% to (13)%	(3)% to (4)%	(25)% to (15)%
<i>As a % of revenue (Non-GAAP)</i>		51% to 52%	56% to 60%	(11)% to (1)%	2%	(11)% to (2)%
Diluted income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.25) to \$(0.16)
Diluted net loss per share-Non-GAAP						\$(0.11) to \$(0.03)
Shares used to compute diluted income (loss) per share:						
GAAP and Non-GAAP						81.4

Q4 2017 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$90.0 to \$100.0	\$44.9 to \$51.4	\$53.7 to \$55.7	\$(10.8) to \$(2.3)	\$(3.1)	\$(14.6) to \$(6.1)
Stock-based compensation expense	—	0.8	(4.5)	5.3	—	5.3
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges and TVN integration costs	—	—	(0.4)	0.4	—	0.4
Non-cash interest expense related to convertible notes	—	—	—	—	1.4	1.4
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	\$1.4 to \$0.1
Total adjustments	—	2.1	(5.7)	7.8	1.4	\$10.6 to \$9.1
Non-GAAP	\$90.0 to \$100.0	\$47.0 to \$53.5	\$48.0 to \$50.0	\$(3.0) to \$5.5	\$(1.7)	\$(4.0) to \$3.0
<i>As a % of revenue (GAAP)</i>		50% to 51%	60%	(12)% to (2)%	(3)%	(16)% to (6)%
<i>As a % of revenue (Non-GAAP)</i>		52.0% to 53.5%	50% to 53%	(3)% to 5.5%	2%	(4)% to 3%
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						<u>\$ (0.18) to \$ (0.07)</u>
Diluted net income (loss) per share-Non-GAAP						<u>\$ (0.05) to \$ 0.04</u>
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						<u>82.0</u>
Shares used to compute diluted net income per share:						
GAAP						<u>84.0</u>